

Fiscal Note

Fiscal Services Division



HF 2349 – Regenerative Medicine Research Tax Credit (LSB 5039HV)
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Fiscal Note Version – New

Description

House File 2349 creates a Regenerative Medicine Research Tax Credit administered by the Department of Revenue. The tax credit is equal to 20.0% of the charitable donation to a qualified research institution. The taxpayer is not allowed a deduction for the same donated dollars allowed for the credit. Total credit approval is limited to no more than \$10.0 million each fiscal year and credits are allowed on a first come, first served basis. The tax credit is not refundable or transferrable, but unused credits may be carried forward up to four additional tax years. The Bill applies retroactively to January 1, 2010.

Assumptions

- To achieve the annual \$10.0 million cap, at least \$50.0 million in contributions must be made.
- The donations would otherwise be allowed a State income tax deduction and the average effective marginal State tax rate would be 6.5%.
- On average, taxpayers will require three tax years to fully claim the credit earned.
- The level of qualified donations is not known, but the following annual amounts are assumed for estimate purposes: \$20.0 million for FY 2011; \$30.0 million for FY 2012; and \$50.0 million for FY 2013 and subsequent years.
- The statewide average income tax surcharge for schools tax rate is 3.0% of State income tax liability.

Fiscal Impact

The direct impact of the tax credit created in House File 2349 is a projected reduction in net General Fund revenue of the following amounts:

- FY 2011 = \$ 0.0 million
- FY 2012 = \$ 1.3 million
- FY 2013 = \$ 3.4 million
- FY 2014 = \$ 5.4 million
- FY 2015 and future fiscal years = \$6.7 million

The tax credit is not refundable so it will impact Iowa's income tax surcharge for schools. The impact is estimated to be \$200,000 annually by FY 2015.

Sources

Legislative Services Agency analysis
Department of Revenue

/s/ Holly M. Lyons

February 15, 2010

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency on request.
